



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO  
607 North 8th Street  
BOISE, IDAHO 83702

MINUTES  
OF  
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:32 a.m., January 22, 2002. The following members were present:

Jody B. Olson  
Dennis L. Johnson  
J. Kirk Sullivan  
Pamela I. Ahrens  
Susan K. Simmons

Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Financial Officer James Monroe, Chief Investment Officer Robert Maynard, and Management Assistant Joanne C. Ax were also in attendance. Other persons attending portions of the meeting were:

Doug Dorn	R.V. Kuhns & Assoc.
Rod MacKinnon	Mountain Pacific Investment Advisors
Drew Black	DB Fitzpatrick & Co.
Dennis Fitzpatrick	DB Fitzpatrick & Co.
Robert Schmidt	Milliman USA
Jim Shakelford	IEA
Matt Freeman	LSO-BPA
Richelle Sugiyama	PERSI
Cecile McMonigle	PERSI
Rhonda Yadon	PERSI
Judy Aitken	PERSI

OLD BUSINESS

Approval of the Minutes: Chairman Olson asked for clarification as to the regular process of class action filings. CIO Maynard replied that Mellon is responsible for filing for PERSI, tracking and then handling the recovery process on any class action filings. By motion duly made by Trustee Ahrens and seconded by Trustee Johnson, the Board unanimously approved the minutes of the December 18, 2001 regular meeting of the Retirement Board.

## PORTFOLIO

Investment Policy: CIO Robert Maynard thanked the Board for taking the time during the month to meet individually with him to discuss the suggested changes to the Investment Policy, which had last been updated in 1998. Changes include recognition of gain sharing as a high priority of the Board. By motion duly made by Trustee Johnson, seconded by Trustee Simmons and unanimously approved, the Board adopted the Statement of Investment Policy January 2002. Copies of the approved policy will be provided to the Board.

Monthly Portfolio Mr. Maynard discussed his investment report dated January 21 which he had updated from the January 15, 2002 version previously furnished to the Board. In the report, Mr. Maynard noted that

“There is an increasing belief that the economy has bottomed, with attention now being focused on incipient signs of a recovery. The market bounce from the lows of September 23<sup>rd</sup> appear to have stalled, having discounted an expected strong recovery by early summer. The market generally expects either no more Fed easing, or that a January 25 basis point ease will be the last for the year (and with actually an expectation of a tightening in late summer or early fall). “In the current month, emerging markets managers, particularly Schroeder’s Emerging Markets and Zesiger have the best absolute returns, while value equity managers are having a difficult time. Bonds have rebounded from a difficult end of year period.

All managers are either within their expected characteristics or have reasonable explanations for slight deviations. Two managers, Columbus Circle (because of performance) and Zurich Scudder (because of a merger) continue to be watched carefully.

Mr. Maynard expressed his frustration that our fund managers are not yet getting traction in the market. The fund has been defensively positioned and because of this is not yet capturing the above market returns as Mr. Maynard would like. Mr. Maynard spent time explaining how he analyzes and tracks the return numbers from the managers, determining if the results are from Board strategic policies, sector allocations or manager performance. Earlier in the month, Consultant Doug Dorn and Investment Officer Richelle Sugiyama conducted an on-site review of Columbus Circle in Connecticut. They reported to Mr. Maynard that they believe the deterioration in returns during the past year is due to their investment style, not due to their ability. While there has been a shift in personnel, their management appears to be stronger than before. In a recession, we should expect their style of investing to incur losses. As we move out of the recession, their style should once again work positively for us. In the future, should a recession be seen looming, we may want to consider moving funds to managers with other styles. Staff will continue to carefully monitor the performance of Columbus Circle.

Other Investment Business: Chairman Olson opened the floor to comments from managers who were attending the meeting. Rod MacKinnon discussed the economy and said as inventories are rebuilt, he is optimistic and looking for more signs of recovery in the second half of the year. Dennis Fitzpatrick indicated the economy is poised for a strong recovery later this year although the Enron debacle has put a damper on equity valuations at this point. Investors are wondering if other companies have similar misrepresentations in their audited reports. Drew

Black said the Idaho Mortgages are doing well. While the state budget is dependent on top-line corporate performance such as that of Micron, the Idaho recourse loans are showing no signs of deterioration. Mr. Fitzpatrick noted that employment in various sectors has held up remarkably well in Idaho. Construction has declined, but not collapsed. He is optimistic on the ability of Idaho to weather the situation. There were more comments regarding the fallout from Enron and insurance premium increases to companies like KMART.

## FISCAL

Expense Reports: Financial Officer James Monroe reviewed his memorandum dated January 15, 2002, that had previously been furnished to the Board. Copies of the Annual Report were provided; Chairman Olson once again commended staff on receiving the GFOA Award for Excellence in Accounting. Mr. Monroe reviewed the Out-of-State Travel Report, Administrative and Portfolio expense reports. He provided a copy of the Governor's recommended budget for PERSI, saying JFAC will actually set the budgets. PERSI does not receive budget appropriations from the general fund. Trustee Ahrens added that contributions to PERSI are from tax supported employees so we are careful to keep our overhead low. Mr. Monroe said the continuing goal is to provide sound portfolio management in a cost-effective manner.

## EXECUTIVE DIRECTOR

New Employers: By motion duly made by Trustee Johnson, seconded by Trustee Simmons and unanimously approved, the Board welcomed two new employers to PERSI:

- The Boise City/Ada County Housing Authority with an effective entry date of February 1, 2002
- The Hayden Lake Recreational Water and Sewer District with an effective entry date of February 2, 2002

Choice Plan Statistic Update: Mr. Winkle reviewed the Participant Service Center Statistics with the Board. The Choice Plan has not yet completed a full year of operation but is gaining participants each month. As of December 31, 2001, nearly \$2.4 million was invested in this participant-directed investment vehicle.

Status Update: The Board had previously received the monthly status memo that summarized the projects in which PERSI is involved. Mr. Winkle reviewed this memo and told the Board that 1099-R's are being printed this week. Staff is still investigating the best use of the 820 building area. Mr. Winkle will meet later this week with one interested potential tenant of a new structure.

The legislature is moving quickly on matters concerning PERSI. Our two bills have passed the House and are on their way to the Senate. We will not have a formal budget hearing this year; it should be set on February 7. A legislative status memo is prepared each Friday during the session and is posted on the PERSI website at [www.persi.state.id.us](http://www.persi.state.id.us)

## FUTURE BOARD MEETINGS

Tuesday, February 26, 2002, 8:30 a.m., Boise - PERSI office

Tuesday, March 19, 2002, 8:30 a.m., Boise - PERSI office  
Tuesday, April 23, 2002, 8:30 a.m., Boise - PERSI office  
May 14, 15 – PERSI Investment Conference  
Tuesday, May 28, 2002, 8:30 a.m., Boise - PERSI office  
**Tuesday, June 25, 2002, 9:30 a.m., at**  
**The Coeur d’Alene Resort, Coeur d’Alene, Idaho**

Adjournment: There being no further business to conduct, by motion duly made by Trustee Johnson, seconded by Trustee Simmons and unanimously approved, the meeting was adjourned at 10:00 a.m.

Jody B. Olson  
Chairman

Alan H. Winkle  
Executive Director